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DISPATCH NO. EGGA-943

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CLASSIFICATION

TO : Chief, EE

DATE: 8 May 1958

FROM : Chief of Base, Hamburg

Info: COS, Germany

SUBJECT: General— Operational/CAHELM

Specific— Status of Hamburg Base Relations with CAHELM

References: A. EGGA-906, March 28, 1958 - *✓*
B. EGGA-928, April 25, 1958 - *BA-6110, (Deutsche China Gesellschaft) H.C. 10/1/58*
C. EGFW-6331, February 10, 1958

ACTION REQUESTED: None.

1. Since the introduction of [] to CAHELM in March 1958 they have gotten together on four occasions - twice in a local café for a few drinks, once at [] apartment for drinks, and most recently on 4 May when the [] and CAHELM families spent a cool Sunday picnicking on the shores of a small North German lake. CAHELM and his wife are attractive, friendly, outgoing people and establishing a pleasant social relationship proved to be an easy task. CAHELM's friendship with [] was, of course, a decisive factor in his friendly reception of [] operationally as well as socially.
2. The operational relationship began with [] taking up CAHELM on his offer, expressed at the introductory dinner meeting at [] apartment, to discuss Wolf Schenke and the Deutsche China-Gesellschaft (DCG). The emphasis of all discussions with CAHELM so far has been on the DCG, partly because of Headquarters interest expressed in Reference C and partly because we have not wanted to show too much interest in CAHELM's other activities at this time. While trying to develop a closer working relationship with CAHELM, we have tried to establish the relationship on the basis of friendly favors, with no hint of interest in CAHELM's covert employers. We have made no overt moves toward recruiting him as an "agent".
3. At the end of the first meeting alone with [] on 9 April, CAHELM offered to lend his "private file" on Schenke to [] which he did two weeks later with, as he expressed it, "mixed feelings". He later passed two additional reports to [] with no comment and apparently quickly lost whatever reservations he had had. The substance of these reports is being disseminated separately. On 2 May and again on 4 May CAHELM and [] discussed the forthcoming annual elections of the DCG being held in Dortmund, 9-11 May. Subject offered to attend the meeting, but only if [] were interested, since he had other things to do and was not particularly keen on using up his leave time from his office to travel to Dortmund. At [] request CAHELM agreed to go to the Dortmund meeting,

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where he will work closely with Schenke and the DCG inner circle. CAHELM accepted our discreet offer to pay his trip expenses, stating that these would consist of his hotel bill and transportation, and he would consider any other expenses his personal pleasure.

4. Based on our brief experience with CAHELM to date we feel that he offers interesting potential as an informant on personalities and organizations in the Hamburg area, particularly but not exclusively among extremist elements, and the "China lobby". He has already demonstrated his willingness to cooperate with us and has provided some useful information on the DCG. His position with his covert employer appears to be a peripheral one and we are inclined to discount his potential as a penetration of that office on which we have good coverage through liaison. In view of the connection, the true-name introduction to [] and [] position, any attempt at formal recruitment or use of CAHELM as a penetration of his covert office would be an exceedingly delicate proposition the risks of which would far outweigh the potential value he might have as a penetration agent. Further development of CAHELM will proceed within the framework of the social relationship already established, keeping in mind the need for plausible denial of an agent relationship if liaison should uncover and take exception to the contact.

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